



U.S. Department of Justice

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EVENT: Civil Recoveries in 2006

**JUSTICE DEPARTMENT RECOVERS RECORD \$3.1 BILLION
IN FRAUD AND FALSE CLAIMS IN FISCAL YEAR 2006
Largest Amount Ever Recovered in a Single Year**

Detroit– The United States in the fiscal year ending September 30, 2006 recovered a record amount of more than \$3.1 billion in settlements and judgments in cases involving allegations of fraud against the government, the Justice Department announced. Previously, the Department's largest recoveries totaled \$2.2 billion for FY 2003. The largest of the FY 2006 settlements against two industry giants – Tenet Healthcare Corporation and The Boeing Company – comprised nearly half the total.

United States Attorney Stephen J. Murphy noted that the case of *United States v. ABN AMRO Mortgage Group* was listed in the top 10 Department of Justice civil recoveries in the country. The settlement, which was announced by Mr. Murphy earlier this year, involved the recovery of \$41 million from ABN AMRO Mortgage Group, Inc. (ABN), a wholly owned subsidiary of LaSalle Bank Midwest, N.A., based in Troy, Michigan. ABN settled allegations that it had falsely certified that 28,097 mortgages had been underwritten in compliance with Department of Housing and Urban Development (HUD) requirements, thereby qualifying them for HUD insurance. Over 1000 of these mortgages went into default, triggering substantial

losses suffered by HUD in paying its insurance obligations. The settlement was a record for HUD's Federal Housing Administration loan insurance program.

The ABN settlement, which I mentioned at the time it was filed, shows this District's serious commitment to stamping out fraud and maintaining the integrity of the federally insured mortgage program. Our Office will continue to use all tools available to it, including civil enforcement, to protect all government programs and the people who benefit from them," said U. S. Attorney Stephen J. Murphy.

Government-initiated claims accounted for \$1.8 billion of the total \$3.1 billion, while suits brought by whistle blowers under the False Claims Act's qui tam provisions accounted for the remaining \$1.3 billion. The qui tam provisions authorize individuals to file suit on behalf of the United States against those who have falsely or fraudulently claimed federal funds. Such cases run the gamut of federally funded programs from Medicare and Medicaid to defense contracts, disaster assistance and agricultural subsidies.

Individuals who knowingly submit false claims for federal funds are liable for three times the government's loss plus a civil penalty of \$5,500 to \$11,000 for each false claim. If the United States intervenes in a qui tam action, the person who filed the suit may receive from 15 up to 25 percent of the government's recovery. In FY 2006, whistleblowers were awarded \$190 million. (This figure does not reflect whistleblower shares for FY 2006 settlements that were or will be determined after Sept. 30, 2006.)

By industry, 72 percent of the recoveries were in health care, 20 percent in defense, and 8 percent other. Health care fraud accounted for \$2.2 billion in settlements and judgments, including a \$920 million settlement with Tenet Healthcare Corporation, the nation's second largest hospital chain. Although Medicare and Medicaid, both administered by the Department of Health and Human Services, bear the brunt of health care fraud, other programs that are affected include the Federal Employees Health Benefits Program run by the Office of Personnel Management, the TRICARE military health insurance program run by the Department of Defense, and health care programs run by the Department of Veterans Affairs, the Department of Labor and the Railroad Retirement Board.

Defense procurement fraud accounted for \$609 million in settlement and judgment awards, including a \$565 million settlement with The Boeing Company, the nation's second largest defense contractor.